

BSEE Director Delivers Remarks at 2013 International Regulators' Offshore Safety Conference

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Good afternoon. It is a pleasure to be with you today. I want to thank to the National Offshore Petroleum Safety and Environmental Management Authority for hosting this year's event and for their hospitality. I appreciate this opportunity to share my thoughts on reducing risk across the offshore oil and gas and - quickly developing in the U.S. - the renewable energy industries.

Before I begin, I want to introduce the Chief of our Offshore Regulatory Programs, Doug Morris and our Gulf of Mexico Regional Director, Lars Herbst. You will be hearing from each of them this week during some of the discussions, and we are looking forward to a good dialogue with shared ideas, lessons learned, and the path forward.

Two years ago this month, when BSEE was created, I was the Deputy Commandant for Operations in the United States Coast Guard. I have spent my entire career focused on reducing risk in the maritime industry. I held the core belief that our overarching purpose as a regulatory agency is to protect life, property, and the environment. My experience in the Coast Guard during the Deepwater Horizon tragedy reinforced that belief, and I am very proud to now have the opportunity to continue pursuing that purpose as the Director of BSEE.

This year marks the 25th anniversary of the Piper Alpha explosion, and it has now been three years since Montara and the Deepwater Horizon. Each of these tragedies were the result of a series of failures – any one of which, had they been avoided, could have prevented the catastrophic results.

Each of these led to a refocusing on safety, stronger regulations, and in our case, a complete reorganization of our regulatory structure. Unfortunately, with any highly visible disaster that garners international media attention, there comes a point when the cameras turn off, the stories fade into distant memories and people believe the problems have been fixed, and their focus shifts.

While I firmly believe we have made exemplary progress on regulatory reform and restructuring efforts, the inherent risks associated with all offshore activities persists. We were reminded of that during the past year with three major well control incidents and a separate explosion resulting in the loss of life. These tragic incidents occurred during different types of operations on various types of facilities, and all of them occurred in shallow water. They are a clear reminder that risk does not discriminate. It is not isolated to highly technical, deepwater operations or high-temperature and high-pressure reservoirs, or any other type of new, frontier area. Risk is ever-present, across all operations.

How then, do we as regulators manage this risk?

First, we have to identify risk, and there are different kinds. When we are discussing safety, operational risk typically comes to mind. But there are financial risks, technical risks, geologic risks, and risks related to human factors. Failure to address any of these appropriately can have catastrophic consequences.

Next, we have to quantify risk. We have to define acceptable risk levels, and then work to mitigate those risks. And, ultimately, the industry must adopt a culture of safety, in which everyone, at all levels, works to reduce risks across all aspects of operations.

At BSEE we are taking on several initiatives to identify risks, which requires the collection of good, relevant data. Expanded incident reporting requirements, near miss reporting, and real time monitoring are examples of expanded data collection and improved analysis capabilities we are building within BSEE. I want to take a moment and highlight some related initiatives we have undertaken.

- We recently signed an interagency agreement with the Bureau of Transportation Statistics that will enable offshore workers to report near-misses in a way that protects their identity and is completely independent of BSEE. The aggregated data and analysis we receive will help us identify leading and lagging indicators. We will coordinate these efforts with the IRF members and the Center for Offshore Safety. I encourage you, if you aren't already, to begin collecting this important information.*
- We are also working with a Department of Energy National Lab on improved statistical analysis and risk modeling to help us better quantify risk, prioritize our limited resources, and focus regulatory actions on higher risk activities. As we tackle these complex questions, we are aggressively working to mitigate risks.*
- We have created a program to evaluate Best Available and Safest Technologies.*
- We will soon announce the organization that will host the Ocean Energy Safety Institute. This organization will bring together the best minds in academia, the industry, and the government to address additional initiatives, such as improved and emerging technologies for potentially riskier operations including drilling into high-temperature / high-pressure reservoirs. The Institute will also provide our employees with the information, training, and tools they need to maintain their expertise.*
- We have revitalized our standards program and are working closely with the standards organizations, such as the American Petroleum Institute, to raise the level of industry standards.*
- We are near the completion of a proposed rule to enhance the reliability of blowout preventers based on studies of the Deepwater Horizon tragedy, and we recently addressed production safety systems through a separate rulemaking process.*

But regulatory changes alone cannot reduce risks. We can raise the standards, but we cannot be present every minute of every day on every platform or rig. My predecessor and friend, Jim Watson, used the phrase, "Safety at All Levels, at All Times," to describe the need for a robust safety culture across the offshore industry.

For example, while the actual drilling activities in 2012 in Alaska were accomplished safely, a series of mishaps and near-mishaps made it clear that companies need to address risks across all phases of their operations, including those that are primarily conducted by contractors.

This is where our Safety and Environmental Management Systems regulations come in as well. The recently finalized rule, known as SEMS II, further enhances the Workplace Safety regulations that were published following the Deepwater Horizon tragedy. Stop work authority, ultimate work authority, employee participation, third-party audits, and bridging documents with contractors are all tools that operators must apply to their management processes. And, you should note – I said, "operators must apply these tools to their management processes." BSEE will not dictate how that is accomplished – it is up to the operators to determine how to best apply the tools to their management systems and processes.

So what do we mean by "safety culture" and how should we measure "safe?" Is it merely the absence of accidents? Is it compliance with regulations? Is it how you approach complex activities? I believe it is how you approach risk. How do you balance risk to your employees and the environment with the need to stay on schedule, to complete the well, or to start production? It goes far beyond management decisions. How do your people approach risk? Are they afraid to speak up when they see something wrong? Will they immediately halt operations if their colleagues are in danger? Or, do they only pay attention to the missing handrail when they see the helicopter with a BSEE inspector approaching their facility? How much risk – to themselves – are they willing to accept?

The regulations are the basic ground rules – the minimum standard. We want to see companies exceed those standards and fully embrace the elements or characteristics of a safety culture detailed in the safety culture policy statement that we published last year.

Again, though, this can be difficult to measure. Safety is an element that is easier to measure when it is absent. When an accident occurs, it is easy to point to that and say, "they were not safe," and you can then peel back the contributing factors and identify things that should have been visible before the accident. That is why we must proactively identify, quantify, and mitigate risk based on new, relevant data streams.

Measurement of successful risk management is not easy. Compliance with regulations is one factor, but as a regulator, we should be careful to measure outcomes, not activities such as issuing Incidents of Non-Compliance. Past incidents or accidents are a consideration, but this also may not be the best indicator of risk mitigation when you are dealing with low probability – high risk events. The challenge for the industry is to maintain vigilance related to safety and avoid becoming complacent.

A key component to all of this is the industry's ability to understand our expectations. We will

continue our outreach efforts, and I am personally committed to four key principles in our interactions: clarity, consistency, predictability, and accountability. We will continue to work closely with the industry to reduce risks, while never forgetting that we work for, and are accountable to, the American people.

Our citizens expect a regulatory program that is fair, consistent, firm, and most importantly enables the nation meet its energy demands while protecting workers and the environment. They expect the regulator to be the experts on offshore energy development--to keep pace with the industry we regulate, and they expect the decisions we make on their behalf to be transparent. BSEE will deliver.

All of these issues should be of concern to everyone in this room today. This is a global industry meeting a global demand. Our collaboration within the International Regulators Forum is critical to reducing the risks inherent in offshore energy development. We have been working closely with Mexico to share best practices and increase collaboration on common interests:

- Comisión Nacional de Hidrocarburos (CNH) personnel have participated as observers of BSEE's offshore inspection process.*
- We hosted an oil spill preparedness workshop with CNH.*
- CNH participated as an observer during our recent deepwater containment exercise. We have also been working with Canada, recently signing a Memorandum of Understanding with the National Energy Board and collaborating on safety issues, SEMS, and specifically, safety culture.*

Throughout the lead-up to the 2012 drilling season offshore Alaska, we worked closely with our partners in the Arctic Council to share information and lessons learned. That collaboration continues as we work on an Alaska-specific rulemaking to address issues that we have determined need focused attention in the Arctic environment. We encourage our partners to share their experiences as companies seek to develop resources in this frontier environment.

The need for collaboration as new standards are developed and best practices are identified has never been greater. The risks inherent in offshore activities will never be fully eliminated, but working together, we can substantially reduce those risks through the cultivation of a robust safety culture across the industry and within our own regulatory organizations.

Thank you for your time.

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